Interconnective Solutions

ANNUAL REPORT 2006

INTERCONNECTIVE SOLUTIONS LIMITED

(Reg No 1997/010640/06)

EIGHTH ANNUAL REPORT

for the year ended 30 June 2006

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DIRECTORS AND ADMINISTRATION

Company registration number
1997/010640/06

Share code
ILT

ISIN code
ZAE000017943

Website
www.solutions.co.za and www.foneworx.co.za

Directors
Ronald Graver
Ashvin Govan Mancha BProc* – Chairman
Gaurang Mooney BA* (Zimbabwe)
Robert Russell
Mark Smith BA LLB – Chief Executive Officer
Gareth Tudor CA (SA) – Financial Director
(*Independent)

Business address and registered office
372b Oak Avenue, Randburg, 2194
PO Box 2404, Randburg, 2125
Telephone +27 11 293 0000
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Transfer secretaries
Computershare Investor Services 2004 (Pty) Limited
Ground Floor, 70 Marshall Street, Johannesburg, 2001
PO Box 61051, Marshalltown, 2107
Telephone +27 11 370 7700, Fax +27 11 688 7716
Website www.computershare.com

Auditors
G Cambanis Inc.

Attorneys
De Wet Wrigglesworth Inc

Principal banker
Absa Bank Limited

Secretary
G H Tudor CA (SA)
PO Box 2404, Randburg, 2125

Sponsor
LPC Manhattan Moela (Pty) Limited

PROFILE

The group, via its wholly owned subsidiary FoneWorx (Pty) Limited, is a telecommunications value-added service provider.

FoneWorx offers clients a range of business and infotainment services, hosted on FoneWorx's own platform. It has service provider agreements with Telkom, MTN, Vodacom and Cell C. The platform currently comprises in excess of 800 channels of digital voice and data, which is the largest independent platform in South Africa.

FoneWorx provides infotainment services to the FMCG market, broadcasters and publishers, as well as business services such as Conference Call, Auto Receptionist, Voice over Internet Protocol ("VoIP"), voice and text storage services, Fax2Email, PC2Fax, Fax on Demand, Fax2Web, international fax and bespoke business services incorporating financial switching for credit cards.

The FoneWorx platform has been designed to operate either as a bureau-based or an application service provider model, which enables clients to select from a suite of services. These range from basic and complex infotainment services to more intricate business services. FoneWorx has a dynamic and expanding technology capability which has the expertise to cater for the diverse requirements of large and small organisations. It supplies stand-alone solutions deployed in clients' premises, and designs bespoke services on behalf of clients which incorporate a number of the bearer technologies adopted by the group. These services include fax, SMS, USSD, WAP, GPRS, voice services and Internet service provision. The intellectual property of FoneWorx resides in the ability to integrate various bearer technologies, which allow clients access to other technologies through one portal, being the FoneWorx platform.

FoneWorx also runs services within Africa through correspondent cellular networks, mainly within the SMS and IVR environment, by hosting services from various countries in Africa on its platform in Randburg, South Africa. The company is therefore well positioned to conduct campaigns in association with electronic media and advertising agencies for products sold throughout Africa.

The group has a 40% equity interest in ALTONet (Alto Network Communications (Pty) Limited), an Internet Service Provider (ISP). This enhances the group's strategy to extend its range of Business Services and also complements its launch of The Virtual Business Centre (VBC) which is an online service requiring Internet connectivity.

The group also has a 51% equity interest in SurveyOnline (Pty) Limited, which is a solution-based market research company that offers research using the latest methodologies including Internet, SMS and IVR. SurveyOnline management are members of the South African Market Research Association and provide innovative and actionable market research solutions.

I am pleased to report that the results for the period under review reflect improved earnings before net interest, tax, depreciation and amortisation ("EBITDA") of R3 755 000 (2005 – R2 381 000) which is an increase of 58%, and after net interest, depreciation and amortisation of R2 507 000 (R1 043 000), an increase of 140% against the previous year.

Earnings per share increased by 138% from 0,93 cents to 2,2 cents and headline earnings per share by 105% from 1,22 cents to 2,50 cents. During the year, effort was put into enhancing the quality of earnings. In the process, lower margin business was replaced with higher earning revenues. This resulted in revenues increasing by only 8,7% while gross profit, as a percentage of revenue, improved by 17% from 44,7% to 52,4%. The group spent almost R1 million on research and development which amounts were fully expensed during the year in compliance with accounting requirements. The benefits of this expenditure will accrue to the group in the future.

The group's cash position improved with cash on hand of R4,5 million (R3,0 million). The group remains debt free save for short-term finance for vehicles and capital equipment, which amounts to R2,3 million in aggregate.

The group, via its wholly owned subsidiary, FoneWorx (Pty) Limited, is one of the leading value-added service providers in the arena of business and infotainment services and is fully licensed to Vodacom, MTN, Cell C and Telkom. FoneWorx differentiates itself from many of its competitors by operating its own voice and data platform, and by providing a full turnkey operation for a broad range of clients.

In the period under review, the group extended its sphere of influence by acquiring equity in an Internet Service Provider ("ISP") which trades as ALTONet. It also formed a new company, SurveyOnline (Pty) Limited, which provides electronic surveys using various forms such as email, websites, SMS and IVR.

FoneWorx has two clearly defined divisions which are now well established and focused, namely: Infotainment and Business Services.

Infotainment

FoneWorx has developed its own proprietary voice and data platform which currently operates over 800 channels and caters for a broad range of fully automated services to a wide range of clients within the fast moving consumer goods and general commercial markets. During the period under review, FoneWorx successfully hosted over 500 interactive campaigns including Strictly Come Dancing, Noot Vir Noot, Telkom Charity Cup, Generations and Gospel Gold to name a few. In addition, FoneWorx managed a number of services in over 29 countries in Africa covering a diverse range of services such as World Cup Soccer 2006 and Shell Site of the Year campaigns.

During the year, FoneWorx was appointed as the sole service provider to the SABC for value-added services and is currently engaged with the SABC in the development of a more comprehensive strategy for these services.

FoneWorx has developed a number of new software programs which enable clients to program and launch their own SMS and IVR services using a self-service terminal approach with an easy-to-use graphic user interface. These programs are ideally suited to radio and television stations which can initiate services by themselves within a few minutes. This process has further enhanced the intellectual property of the FoneWorx service offering.

Business services

We have been pleased with the growth of our business services, which revenues now exceed the revenues generated from infotainment services. This is in line with our stated strategic objective, which is to provide the group with more predictable annuity-based revenue.

The FoneWorx suite of business services is provided on a "bureau basis", which allows our clients to access our platform without any capital expenditure and make use of the many services hosted on this platform. This offering is known as The Virtual Business Centre and is described fully below.

The FoneWorx Fax2Email has shown remarkable growth in the year under review with a growth in revenue of 250% and a similar increase in the subscriber base over the previous year.

FoneWorx has established a well-trained and focused dealer network to sell the FoneWorx product set and now boasts a dealer network of 108 dealers, which is an increase of 52% against the prior reporting year. In addition, dealers are provided with a fully integrated web-based administrative interface to enable them to remotely manage their business.

Virtual Business Centre

FoneWorx has fully embraced the convergence of technology and the associated Electronic Communications Act by exploring solutions to meet growing needs as cost-effectively as possible. This has been achieved by providing the best of different technologies via a single on-line portal. To this end, FoneWorx recently launched an innovative and exciting product aimed primarily at the growing SMME market, which is branded The Virtual Business Centre ("VBC"). VBC is an on-line application which has capitalised on the exploding digital age which is itself making access to bandwidth easier and cheaper. The application is an aggregation of an initial 15 services all accessed via a single portal. Services included in the VBC package are Telco Services and Products, Business and Legal Forms, Address Book, Data Storage, Fax2Email, PC2Fax, SMS, E-mail, VoIP Call, Accounting, SurveyOnline, Diary Service, Conference Call, Credit Card Processing and Auto Receptionist (PBX).

VBC operates on a prepaid basis and allows the subscriber to access services on a true "pay-to-use" basis. Subscribers purchase credits by credit card, electronic funds transfer or bank deposit and these are deposited into a central account in the name of the subscriber. As services are used, the usage charges are deducted from the user's account. This methodology allows individuals and businesses to manage their cash flow effectively and the use of selected services. New products will be added to this package in the future, and these will include: travel, insurance, vehicle purchases, mortgage origination and courier services, to mention a few.

The VBC service has been developed by FoneWorx which employs its own full-time programmers. Within a few weeks of its launch VBC has attracted a tremendous amount of interest in South Africa. In addition, enquiries have been received from European and African countries which bodes well for FoneWorx to launch and host this application in territories outside of the Republic.

Internet service provider

During the period under review the group acquired a 40% interest in Alto Network Communications (Pty) Limited ("ALTONet"), which provides Internet and network services. The group has an option to increase this interest to 51% by February 2007. ALTONet is a hosting and data networking company that provides a range of services including Dial Up, ADSL and Diginet services. In addition, ALTONet also provides website hosting, server hosting and website development. The acquisition is an important strategic move for the group, particularly because VBC is an on-line product and requires Internet connectivity. A number of the ALTONet services will also be incorporated into the VBC package. The phenomenal growth of the Fax2Email subscriber base meant that a large percentage of the cost base was becoming attributable to bandwidth and thus it made sense to have equity in ALTONet and re-direct network connectivity via this company and enjoy the upside of the ALTONet earnings. The group intends to create value-added bundled products using a combination of the ALTONet and FoneWorx services and providing consumers with differentiated products at competitive and affordable prices.

Electronic surveys

The group formed a company, SurveyOnline (Pty) Limited ("SOL") in which its holds 51% equity with the remaining 49% held by the operational staff who are full members of South African Market Research Association ("SAMRA"). SOL is a solution-based application using the Internet to provide market research which offers quick, easy and direct access to customers, suppliers, employees and website visitors. It employs the latest methodologies, making use of the Internet, SMS and IVR, all of which are in the domain of the group's offerings. SOL offers generic or customised surveys that are simple and easy to deploy and provide immediate automated web-based results.

General

The group's cash focus was well managed with excess funds placed at favourable interest rates. All the functional divisions within the group performed well and continued to refine essential key dials. I remain optimistic about the growth potential of our business services and the stable channels to market that have been developed by our dealer base. The group's intellectual property has been further enhanced with the launch of The Virtual Business Centre and positions the group as one of the leading value-added service providers, which includes having its own Internet service provider.

I would like to extend my thanks to my co-directors, management and staff who have excelled during the period under review and have clearly demonstrated that the group can develop and host world-class services and bespoke applications. I would also like to express my appreciation to our shareholders for their continued support.

Mark Smith
Chief Executive Officer

13 September 2006

DIRECTORS' RESPONSIBILITY AND APPROVAL

The annual financial statements set out on pages 7 to 26 are the responsibility of the directors.

The directors are responsible for selecting and adopting sound accounting practices, for maintaining an adequate and effective system of accounting records, for the safeguarding of assets, and for developing and maintaining a system of internal controls that, among other things, will ensure the preparation of financial statements that achieve fair presentation. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year.

The directors believe that the company and group have adequate resources to continue operations as a going concern in the foreseeable future, based on forecasts and available cash resources. The financial statements support the viability of the company and group.

The financial statements are prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

The annual financial statements for the year ended 30 June 2006 set out on pages 9 to 26 were approved by the Board of Directors on 13 September 2006 and are signed on their behalf by

Mark Smith
Chief Executive Officer

Gareth Tudor
Group Financial Director

DECLARATION BY SECRETARY

at 30 June 2006

In terms of Section 268G(d) of the Companies Act, 1973, as amended ("the act"), I hereby certify that, to the best of my knowledge and belief, all returns that are required by the act to be lodged with the Registrar of Companies have been lodged for the year ended 30 June 2006 and that all such returns were true, correct and up-to-date.

Gareth Tudor CA (SA)
Secretary

13 September 2006

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF INTERCONNECTIVE SOLUTIONS LIMITED AND ITS SUBSIDIARIES

We have audited the Annual Financial Statements and Group Annual Financial Statements of INTERCONNECTIVE SOLUTIONS LIMITED set out on pages 7 to 26 for the year ended 30 June 2006. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these Annual Financial Statements based on our audit.

Scope

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion the financial statements fairly present, in all material respects, the financial position of the company and group as at 30 June 2006 and the results of their operations and cash flow information for the year then ended, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

Chartered Accountants (SA)
Registered Accountants and Auditors

13 September 2006

DIRECTORS' REPORT

for the year ended 30 June 2006 to the members of Interconnective Solutions Limited

The directors have pleasure in submitting their report for the year ended 30 June 2006.

Nature of business

Interconnective Solutions Limited is an investment holding company whose subsidiaries provide interactive telecommunication services to the FMCG, advertising and media industries, a broad range of business services such as electronic faxes to the business community, and aggregated business applications to the small, medium and micro enterprises.

Authorised share capital

The authorised share capital of the company is unchanged and is made up of R250 000, divided into 250 000 000 ordinary shares of R0,001 each.

Issued share capital

As at 30 June 2006 the issued share capital is made up of R115 671, divided into 115 671 429 ordinary shares of R0.001 each. During the year under review, 3 571 429 shares were issued at a price of 21 cents each to the vendors of Alto Network Communications (Pty) Limited as consideration for the purchase of a 40% interest in that company.

The directors of the company for the year ended 30 June were:

Ronald Graver
Ashvin Govan Mancha * – Chairman
Gaurang Mooney * (Zimbabwe)
Robert Russell
Mark Smith – Chief Executive Officer
Gareth Tudor – Financial Director

(*Independent)

Dividend

The directors have not recommended the payment of a dividend for the year ended 30 June 2006.

Share incentive scheme

This scheme is the owner of 1 600 000 shares. No options have been issued to any staff prior to, during or subsequent to the period under review. The directors do not intend to issue any options until there is a significant improvement in the company's share price.

Directors' shareholdings as at 30 June 2006 (000's)

	30 June 2006			30 April 2005		
	Direct	**Indirect**		Direct	Indirect	
	Beneficial	**Beneficial**	**Non-beneficial**	Beneficial	Beneficial	Non-beneficial
R Graver	**14 205**			14 205		
A G Mancha			**10 500**			10 500
G Mooney			**15 219**			15 219
R Russell	**400**			400		
M A Smith	**16 425**			16 425		
G H Tudor	**14 625**			14 625		

There have been no changes to the directors' shareholdings between the end of the financial year and the date of this report.

Shareholder spread as at 30 June 2006

To the best of the knowledge of the directors, the spread of shareholders at 30 June 2006 was as follows:

	Number of shareholders	%	Number of shares ('000)	%
1 – 100 000	141	78.8	3 320	2.9
100 001 – 500 000	25	14.0	7 041	6.1
500 001 – 10 000 000	6	3.3	8 438	7.3
10 000 001 +	7	3.9	96 872	83.7
	179	100.0	115 671	100.0

Shareholdings of ordinary shares by category at 30 June 2006

	Number of shareholders	%	Number of shares ('000)	%
Public	171	95,5	18 400	15,9
Non-public				
– Directors	6	3,4	71 374	61,7
– Non-directors *	2	1,1	25 897	22,4
	179	100,0	115 671	100,0

Major shareholders

*Shareholders other than directors who, insofar as is known, were directly or indirectly beneficially interested in 5% or more of the company's issued share capital as at 30 June 2006 were as follows:

	Number of shares ('000)	%
FNT Nominees	12 859	11.1
Roy Investments cc	13 038	11.3

Special resolutions

No special resolutions were passed by the company or any of its subsidiaries since the date of the previous directors' report, other than Retail Intelligence (Proprietary) Limited which changed its name to SurveyOnline (Proprietary) Limited by Special Resolution on 27 September 2005.

Events subsequent to the financial year end

No material events have taken place since the year end, being 30 June 2006, and the date of this report which should be reported to shareholders.

Corporate governance

The directors recognise the need to conduct the affairs of the company with integrity and in compliance with best practice, while recognising the practicalities of the environment in which it operates, and the need to take action as appropriate.

Corporate code of conduct

Interconnective Solutions Limited is committed to:

- integrity and best practice in its dealings with stakeholders and society at large
- doing business with customers and suppliers using best ethical practices
- employment practices which are non-discriminatory and which include training and skills development.

Board of directors

The company currently has four executive directors and two independent directors, and the directors believe that this structure is effective. The executive directors have responsibility for implementing strategic and operational decisions in the conduct of the group's business. The independent directors support the executive directors and supplement the skills and judgement of the executive directors in the general direction of the company. The roles of Chairman of the board and CEO have been separated.

Day to day management of the group is vested in the executive committee (Exco), which consists of the four executive directors plus two senior executives and a consultant. Exco meets weekly, and formulates the direction of the group as well as monitoring group performance.

No director or officer of the company had an interest in any contract of significance during the financial year.

Remuneration committee

The remuneration committee consists of Ashvin Mancha (Chairman and Independent Director), Gaurang Mooney (Independent Director) and Gareth Tudor (Financial Director). This committee ensures that remuneration levels are appropriate to attract and retain the staff needed to run the group successfully.

Audit committee

Due to the current size of the group and the "hands-on" involvement of the executive directors, the directors have not deemed it appropriate to appoint an audit committee of non-executive directors at this stage. The directors will continue to monitor the situation and will make the necessary appointments once it is deemed appropriate.

Employment equity

The group's approach has been to encourage all staff to reach their maximum potential irrespective of gender, race or creed. While this focus remains in place, the group is committed to increasing the participation of historically disadvantaged staff in its structures. The requisite employment equity reports have been submitted to the Department of Labour. The staff profile is currently as follows:

[A = Africans, C = Coloureds, I = Indians and W = Whites.]

Occupational levels	Designated							Non-designated			TOTAL
	Male			Female				White male	Foreign nationals		
	A	C	I	A	C	I	W	W	Male	Female	
Senior management								5			5
Professionally qualified and experienced specialists and mid-management							3	3	1		7
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents			1		1		4	7			13
Semi-skilled and discretionary decision making	1		1	4		1	4	2		3	16
Unskilled and defined decision making				1							1
TOTAL PERMANENT	1	0	2	5	1	1	11	17	1	3	42
Non-permanent employees											0
GRAND TOTAL	1	0	2	5	1	1	11	17	1	3	42

The employment equity and skills retention function falls within the mandate of nominated individuals who are responsible for monitoring the progress made in these areas and reporting to the board of directors thereon.

Closed period

The company enforces a restricted period for transacting in the company's shares in line with the JSE Listings Requirements. In terms of this requirement, no dealing in shares by staff and directors is allowed from the time that the reporting period has elapsed to the time that the results are released and at any time that the company is trading under a cautionary announcement. A procedure to monitor all transactions by staff and directors is in place.

Other matters

Litigation statement

The directors, whose names are given on pages 1 and 7, are not aware of any legal or arbitration proceedings that are pending or threatened, that may have or have had in the recent past, being at least 12 months, a material effect on the group's financial position.

Material change

Other than the facts and developments reported on in the annual report, there have been no material changes in the affairs or financial position of the company and its subsidiaries since the date of signature of the audit report and the date of notice of the Annual General Meeting.

BALANCE SHEET

as at 30 June 2006

	Notes	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
ASSETS					
Non-current assets		**5 854**	3 463	**13 148**	12 436
Property plant and equipment	2	**3 904**	1 781	**–**	–
Intangible assets	3	**400**	882	**350**	676
Other non-current assets	4	**800**	800	**800**	800
Investment in subsidiaries	5	**–**	–	**11 248**	10 960
Investment in associate	6	**750**	–	**750**	–
Current assets		**15 092**	9 371	**44**	–
Inventory	7	**145**	90	**–**	–
Loans to directors, managers and employees		**12**	–	**–**	–
Trade and other receivables	8	**10 406**	6 135	**33**	–
Cash and cash equivalents		**4 529**	3 146	**11**	–
Total assets		**20 946**	12 834	**13 192**	12 436
EQUITY AND LIABILITIES					
Capital and reserves		**8 983**	5 726	**13 092**	12 318
Share capital	9	**116**	112	**116**	112
Share premium	10	**14 842**	14 096	**14 842**	14 096
Accumulated (losses)		**(5 975)**	(8 482)	**(1 866)**	(1 890)
Non-current liabilities		**1 955**	301	**–**	–
Instalment sale agreements	11	**1 542**	301	**–**	–
Loan payable	12	**413**	–	**–**	–
Current liabilities		**10 008**	6 807	**100**	118
Trade and other payables	13	**9 206**	6 393	**100**	116
Current portion of non-current liabilities	11	**802**	282	**–**	–
Bank overdraft		**–**	132	**–**	2
Total equity and liabilities		**20 946**	12 834	**13 192**	12 436

INCOME STATEMENT

for the year ended 30 June 2006

		Group		Company	
		2006	2005	**2006**	2005
	Notes	**R'000**	R'000	**R'000**	R'000
Revenue	14	**33 191**	30 530	**–**	–
Other operating income		**57**	54	**744**	743
Direct operating costs		**(15 813)**	(16 877)	**–**	–
Staff costs		**(7 771)**	(6 839)	**(27)**	(21)
Depreciation and amortisation expenses		**(1 291)**	(1 304)	**(326)**	(326)
Other operating expenses		**(5 909)**	(4 509)	**(350)**	(258)
Profit from operations	15	**2 464**	1 055	**41**	138
Finance costs	18	**(131)**	(84)	**(17)**	(1)
Investment income	19	**174**	50	**–**	–
Profit from ordinary activities		**2 507**	1 021	**24**	137
Attributable to outside shareholders		**–**	22	**–**	–
Net profit for the year		**2 507**	1 043	**24**	137
Opening accumulated losses		**(8 482)**	(9 525)	**(1 890)**	(2 027)
Closing accumulated losses		**(5 975)**	(8 482)	**(1 866)**	(1 890)
Basic earnings per share	21	**2,21c**	0,93c		
Headline earnings per share	21	**2,50c**	1,22c		

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2006

		Group		Company	
		2006	2005	**2006**	2005
	Notes	**R'000**	R'000	**R'000**	R'000
Share capital		**116**	112	**116**	112
Balance at beginning of year		**112**	112	**112**	112
Issued during the year		**4**	–	**4**	–
Share premium		**14 842**	14 096	**14 842**	14 096
Balance at beginning of year		**14 096**	14 096	**14 096**	14 096
Issued during the year		**746**	–	**746**	–
Accumulated losses		**(5 975)**	(8 482)	**(1 866)**	(1 890)
Balance at beginning of year		**(8 482)**	(9 525)	**(1 890)**	(2 027)
Attributable profits		**2 507**	1 043	**24**	137
		8 983	5 726	**13 092**	12 318

CASH FLOW STATEMENT

for the year ended 30 June 2006

	Notes	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
Cash flow from operating activities		**2 271**	2 450	**301**	355
Net cash generated from operations	A	**2 228**	2 484	**318**	356
Finance costs		**(131)**	(84)	**(17)**	(1)
Investment income		**174**	50	**–**	–
Cash flow from investing activities		**(3 680)**	(575)	**(1 038)**	(356)
(Increase) in investment in subsidiaries and associates		**(750)**	–	**(1 038)**	(356)
Purchase of property, plant and equipment		**(2 900)**	(564)	**–**	–
Purchase of intangible assets		**(30)**	(11)	**–**	–
Cash flow from financing activities		**2 924**	(186)	**750**	–
Share capital and share premium introduced		**750**	–	**750**	–
Decrease in minority shareholders' interest		**–**	(22)	**–**	–
Increase/(decrease) in non-current liabilities		**1 654**	(127)	**–**	–
Increase/(decrease) in current portion of non-current liabilities		**520**	(37)	**–**	–
Net increase in cash and cash equivalents		**1 515**	1 689	**13**	(1)
Cash and cash equivalents at beginning of year		**3 014**	1 325	**(2)**	(1)
Cash and cash equivalents at end of year	B	**4 529**	3 014	**11**	(2)

NOTES TO THE CASH FLOW STATEMENT

for the year ended 30 June 2006

	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
A. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS				
Profit before taxation	**2 507**	1 043	**24**	137
Adjustments for:	**1 246**	1 338	**343**	327
Amortisation	**512**	731	**326**	326
Depreciation	**777**	573	**–**	–
Finance costs	**131**	84	**17**	1
Investment income	**(174)**	(50)	**–**	–
Operating profit before working capital changes	**3 753**	2 381	**367**	464
Working capital changes	**(1 525)**	103	**(49)**	(108)
(Increase)/decrease in inventory	**(55)**	156	**–**	–
(Increase)/in trade and other receivables	**(4 283)**	(1 689)	**(33)**	–
Increase (decrease) in trade and other payables	**2 813**	1 636	**(16)**	(108)
Cash generated from operations	**2 228**	2 484	**318**	356

B. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
Cash and cash equivalents	**4 529**	3 146	**11**	–
Bank overdraft	**–**	(132)	**–**	(2)
	4 529	3 014	**11**	(2)

ACCOUNTING POLICIES AND BASIS OF PREPARATION

The financial statements are prepared on the historical cost convention as modified by the revaluation of certain trading assets and liabilities to fair value. The principal accounting policies of the group and the disclosures made in the financial statements conform to International Financial Reporting Standards. They have been prepared on a basis consistent with the previous year except as detailed in the notes, and are set out below.

1. PRINCIPAL ACCOUNTING POLICIES

1.1 Basis of consolidation

The consolidated financial statements include the financial statements of the holding company and enterprises controlled by the company. Control is achieved where the company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant inter-company transactions and balances between group enterprises are eliminated on consolidation.

On acquisition of a subsidiary, minorities interest is measured at the proportion of the pre-acquisition fair values of the identifiable assets and liabilities acquired.

1.2 Property, plant and equipment

Property, plant and equipment are accounted for at cost less accumulated depreciation.

All property, plant and equipment are depreciated, over their estimated useful lives on the straight-line method, at the following annual rates:

Improvements to leased premises	20%
Plant and equipment	20%
Vehicles	20%
Furniture, fixtures and fittings	16,67%
Office equipment	20%
Computer equipment	15%–33%

Substantial improvements to property, plant and equipment are capitalised, whilst maintenance and repairs are accounted for as they occur.

1.3 Intangible assets and amortisation

Intangible assets are shown at cost less accumulated amortisation.

All intangible assets are amortised, over their estimated useful lives on the straight-line basis, at the following annual rates:

Intellectual property	20%
Computer software	15%
Research and development previously capitalised	20%

Research costs are expensed in the year in which they are incurred. Development costs were written off during the year under review.

Intellectual property refers to the cost of shares issued in terms of restraint of trade agreements signed in 2003 with former key employees of Telemessage.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

1.4 Impairment of assets

At each reporting date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

1.5 Leased assets

Fixed assets leased in terms of finance lease agreements are capitalised at fair value at the date of acquisition. Finance charges are amortised over the duration of the lease according to the effective interest rate method.

Operating lease costs are charged against income on the straight-line basis over the term of the relevant lease. In terms of IAS 17, the group is required to recognise operating lease expenditure on the straight line basis. The net effect of this change on the results of either this year or the previous year is immaterial to those results, and the directors have therefore elected not to make any adjustment in terms of this accounting standard.

1.6 Financial instruments

Financial instruments are initially measured at fair value or amortised cost when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Trade and other receivables
Trade and other receivables originated by the group are stated at amortised cost less provision for doubtful debts.

Cash and cash equivalents
Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at balance sheet date.

Financial liabilities
Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

1.7 Offset

Financial assets and liabilities are offset and disclosed on a net basis in the consolidated balance sheet when there is a legal right to set off and there is an intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.8 Inventory

Inventory has been valued at the lower of cost, on the first in first out basis, and net realisable value. In arriving at net realisable value specific provision is made for obsolete, redundant and slow moving items.

1.9 Revenue

Revenue is defined as sales of goods and services to customers excluding value added tax. Interest is recognised on a time proportion basis by reference to the principal outstanding and at the interest rate applicable. The sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer. Revenue from services is recognised when the service is rendered.

1.10 Foreign entities

Foreign subsidiaries assets and liabilities are translated at rates of exchange ruling at the end of the financial year. Income, expenditure and cash flows are translated using the average rate for the year. Translation differences if any are classified as equity and are transferred to the group's foreign entity translation reserve. Such translation differences are recognised in the income statement in the period in which the operation is disposed.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

1.11 Foreign currencies

Transactions in foreign currencies are translated at the rates of exchange ruling at the transaction date while assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Translation differences if any are dealt with in the income statement.

1.12 Employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service. The provisions for employee entitlements to salaries, annual and sick leave represent the amounts which the group has a present obligation to pay as a result of employees' services provided to the balance sheet date. The provisions have been calculated at undiscounted amounts based on current salary rates.

1.13 Taxation

The charge for current tax is based on the results for the year as adjusted for items which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. A deferred tax asset is recognised only when it is probable that future taxable profits will be available against which the deferred tax asset can be realised.

1.14 Provisions

Provisions are recognised when the group has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made for the amount of the obligation.

1.15 Comparative figures

Comparative figures have been reclassified or restated where appropriate to afford a proper and more meaningful comparison of results.

2. PROPERTY, PLANT AND EQUIPMENT

	Gross carrying value R'000	Accumulated depreciation R'000	Net carrying value R'000
Group – 2006			
Improvements to leased premises	**59**	**59**	**–**
Plant and equipment	**42**	**42**	**–**
Vehicles	**1 723**	**155**	**1 568**
Furniture and fittings	**234**	**173**	**61**
Office equipment	**267**	**138**	**129**
Computer hardware	**4 604**	**2 458**	**2 146**
	6 929	**3 025**	**3 904**
Group – 2005			
Improvements to leased premises	59	39	20
Plant and equipment	42	41	1
Vehicles	82	82	–
Furniture and fittings	192	156	36
Office equipment	178	107	71
Computer hardware	3 476	1 823	1 653
	4 029	2 248	1 781

The net carrying amount of fixed assets can be reconciled as follows:

	Net carrying value at beginning of year R'000	Additions/ revaluations R'000	Depreciation R'000	Net carrying value at end of year R'000
Group – 2006				
Improvements to leased premises	**20**	**–**	**(20)**	**–**
Plant and equipment	**1**	**–**	**(1)**	**–**
Vehicles	**–**	**1 641**	**(73)**	**1 568**
Furniture and fittings	**36**	**42**	**(17)**	**61**
Office equipment	**71**	**89**	**(31)**	**129**
Computer hardware	**1 653**	**1 128**	**(635)**	**2 146**
	1 781	**2 900**	**(777)**	**3 904**
Group – 2005				
Improvement to leased premises	29	–	(9)	20
Plant and equipment	3	–	(2)	1
Vehicles	9	–	(9)	–
Furniture and fittings	60	29	(53)	36
Office equipment	97	–	(26)	71
Computer hardware	1 592	535	(474)	1 653
	1 790	564	(573)	1 781

	Gross carrying value R'000	Accumulated depreciation R'000	Net carrying value R'000
3. INTANGIBLE ASSETS			
Group – 2006			
Intellectual capital	**1 628**	**1 278**	**350**
Computer software	**397**	**347**	**50**
Research and development	**–**	**–**	**–**
	2 025	**1 625**	**400**
Group – 2005			
Intellectual capital	1 628	952	676
Computer software	367	308	59
Research and development	2 162	2 015	147
	4 157	3 275	882
Company – 2006			
Intellectual property	**1 628**	**1 278**	**350**
Company – 2005			
Intellectual property	1 628	952	676

The net carrying amount of intangible assets can be reconciled as follows:

	Net carrying value at beginning of year R'000	Additions/ revaluations R'000	Amortisation R'000	Net carrying value at end of year R'000
Group – 2006				
Intellectual capital	**676**	**–**	**(326)**	**350**
Computer software	**59**	**30**	**(39)**	**50**
Research and development	**147**	**–**	**(147)**	**–**
	882	**30**	**(512)**	**400**
Group – 2005				
Intellectual capital	1 002	–	(326)	676
Computer software	85	11	(37)	59
Research and development	515	–	(368)	147
	1 602	11	(731)	882
Company – 2006				
Intellectual property	**676**	**–**	**(326)**	**350**
Company – 2005				
Intellectual property	1 002	–	(326)	676

	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
4. OTHER NON-CURRENT ASSETS				
Share Incentive Trust	**800**	800	**800**	800

The loan is unsecured, interest free and there is no agreed basis of repayment. The Interconnective Solutions Limited Share Incentive Trust owns 1 600 000 ordinary shares at an issue price of 50 cents per share. As mentioned in the Directors' Report, the directors do not intend to issue any options until there is a significant improvement in the company's share price. In addition, certain directors have guaranteed the value of the loan to the trust while the share price is below 50 cents.

	Company 2006 R'000	Company 2005 R'000
5. INVESTMENTS IN SUBSIDIARIES		
FoneWorx (Pty) Limited	**2 969**	2 666
100 ordinary shares of R1 each – 100% of issued share capital	**0,1**	0,1
Loan	**2 969**	2 666
Interconnective Solutions Management Services (Pty) Limited	**4 988**	4 988
100 ordinary shares of R1 each – 100% of issued share capital	**0,1**	0,1
Loan	**4 988**	4 988
Retail Card Club (Pty) Limited	**1 288**	1 288
50 ordinary shares of R1 each – 50% of issued share capital	**0,1**	0,1
Loan	**1 288**	1 288
SurveyOnline (Pty) Limited – formerly Retail Intelligence (Pty) Limited	**512**	512
51 ordinary shares of R1 each – 51% of issued share capital	**0.05**	0,05
Loan	**512**	512
Valutronics (Pty) Limited	**636**	638
100 ordinary shares of R1 each – 100% of issued share capital	**0,1**	0,1
Loan	**636**	638
VM Advertising (Pty) Limited	**855**	855
100 ordinary shares of R1 each – 100% of issued share capital	**0,1**	0,1
Loan	**855**	855
VM Australia (Pty) Limited (incorporated in Australia))	**–**	13
80 ordinary shares of R5 each – 80% of issued share capital	**–**	0,005
Loan	**–**	13
	11 248	10 960

The loans are unsecured, currently interest free and there are no fixed repayment terms.

	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
6. INVESTMENT IN ASSOCIATE				
Alto Network Communications (Pty) Limited	**750 000**	–	**750 000**	–
40% of the ordinary shares issued	**175 000**	–	**175 000**	–
Loan	**575 000**	–	**575 000**	–
	750 000	–	**750 000**	–
The loan is unsecured, currently interest free, and there are no fixed repayment terms.				
7. INVENTORY				
Raw materials	**46**	79	**–**	–
Finished goods	**99**	11	**–**	–
	145	90	**–**	–
8. TRADE AND OTHER RECEIVABLES				
Trade and other receivables	**6 471**	4 024	**–**	–
Less: Provision for bad debts	**(188)**	(150)	**–**	–
Other receivables and prepayments	**4 123**	2 261	**33**	–
	10 406	6 135	**33**	–
9. SHARE CAPITAL				
Authorised				
250 000 000 ordinary shares of R0,001 each	**250**	250	**250**	250
Issued				
115 671 429 (2005 – 112 100 000) ordinary shares of R0,001 each	**116**	112	**116**	112

Unissued shares
The 134 328 571 (2005–137 900 000) unissued shares are under the control of the directors, subject to Sections 221 and 222 of the Companies Act and the Listings Requirements of the JSE Securities Exchange, South Africa, in terms of a resolution passed at the annual general meeting of shareholders in October 2005. The authority is valid until the forthcoming annual general meeting.

	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
10. SHARE PREMIUM				
Balance at beginning of period	**14 096**	14 096	**14 096**	14 096
Premiums on shares issued during the year	**746**	–	**746**	–
Shares issued	**746**	–	**746**	–
Share issue and listing expenses	**–**	–	**–**	–
Balance at end of period	**14 842**	14 096	**14 842**	14 096

	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
11. INSTALMENT SALE AGREEMENTS				
Minimum lease payments due				
– within one year	**993**	317	**–**	–
– in second to fifth year inclusive	**1 741**	318	**–**	–
	2 734	635	**–**	–
less: future finance charges	**(390)**	(52)	**–**	–
Present value of minimum lease payments	**2 344**	583	**–**	–
Present value of minimum lease payments due				
– within one year	**802**	282	**–**	–
– in second to fifth year inclusive	**1 542**	301	**–**	–
	2 344	583	**–**	–
Non-current liabilities	**1 542**	301	**–**	–
Current liabilities	**802**	282	**–**	–
	2 344	583	**–**	–

Loans are secured by instalment sale agreements over certain fixed assets having a book value of R2 721 548 (2005: R969 697). The loans bear interest at various rates which are variable in line with the prime lending rate, and are repayable in monthly instalments of R85 985. These borrowings are within the borrowings authorised by the articles of association of the subsidiaries concerned, as there are no limitations imposed on their borrowing powers.

	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
12. LOAN PAYABLE				
Tresso Trading (Pty) Limited	**413**	–	**–**	–

The above loan is unsecured, currently interest free, and there are no fixed repayment terms.

	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
13. TRADE AND OTHER PAYABLES	**5 629**	3 775	**100**	116
Trade payables	**3 978**	3 041	**–**	–
Other payables	**1 651**	734	**100**	116
Provisions	**3 577**	2 618	**–**	–
	9 206	6 393	**100**	116

Provisions	**Audit Fee**	**Leave Pay**	**Revenue Shares**	**Other**	**Total**
Balance at beginning of year	100	442	1 334	742	2 618
Amounts added	151	312	1 356	124	1 943
Amounts used	73	318	561	32	984
Balance at end of year	178	436	2 129	834	3 577

	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
14. REVENUE				
An analysis of the group's revenue is as follows				
Services	**32 316**	28 808	**–**	–
Sales of goods	**875**	1 722	**–**	–
	33 191	30 530	**–**	–
Revenue consists of sales excluding Value Added Tax.				
Other operating income				
Investment income	**174**	50	**–**	–
15. PROFIT FROM OPERATIONS				
Profit from operations is stated after taking into account the following items:				
Income				
Administration fees	**–**	–	**744**	743
Expenditure				
Auditors' remuneration (Note 16)	**187**	111	**59**	43
Directors' emoluments (Note 17)	**2 034**	1 646	**–**	–
Operating lease – rent	**668**	545	**–**	–
16. AUDITORS' REMUNERATION				
Audit fees	**178**	100	**53**	38
Secretarial fees	**9**	11	**6**	5
	187	111	**59**	43

	Basic salary	Bonus	Travel allowance	Provident fund	Medical aid	Total	2005
17. DIRECTORS' EMOLUMENTS							
R Graver	**151**	**59**	**9**	**59**	**40**	**318**	180
A G Mancha *	**–**	**–**	**–**	**–**	**–**	**–**	–
G Mooney *	**–**	**–**	**–**	**–**	**–**	**–**	–
R Russell	**359**	**59**	**84**	**39**	**–**	**541**	426
M A Smith	**320**	**59**	**104**	**36**	**26**	**545**	482
G H Tudor	**422**	**59**	**32**	**82**	**35**	**630**	558
	1 252	**236**	**229**	**216**	**101**	**2 034**	1 646

*Independent directors

	Group		Company	
	2006	2005	**2006**	2005
	R'000	R'000	**R'000**	R'000
18. FINANCE COSTS				
Interest paid on bank overdraft	**30**	10	**17**	1
Interest paid on secured loans	**101**	74	**–**	–
	131	84	**17**	1
19. INVESTMENT INCOME				
Interest received	**174**	50	**–**	–

20. INCOME TAX EXPENSE

No taxation has been provided as the company and its subsidiaries have incurred losses for tax purposes. The company and the group have estimated taxable losses of R2 615 000 to be set off against future taxable income.

21. EARNINGS PER SHARE

	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
The calculation of earnings per share is based on profits of R2 507 177 (2005: R1 042 511) and a weighted average of 113 290 476 (2005: 112 100 000) ordinary shares issued during the year	**2,21c**	0,93c	**–**	–
The calculation of headline earnings per share is based on profits of R2 832 887 (2005: R1 368 221) and a weighted average of 113 290 476 (2005: 112 100 000) ordinary shares issued during the year	**2,50c**	1,22c	**–**	–
Reconciliation between earnings and headline earnings				
Per the income statement	**2 507**	1 043	**–**	–
Items included in other operating expenses:				
Intellectual property amortised	**326**	326	**–**	–
Headline earnings	**2 833**	1 369	**–**	–

22. BORROWING POWERS

In terms of the company's Articles of Association, the borrowing powers of the directors are unlimited.

23. RELATED PARTY TRANSACTION

Arm's-length trading transactions occur between subsidiary companies within the group and are reversed on consolidation.

24. FAIR VALUE AND CREDIT RISK OF FINANCIAL INSTRUMENTS

In the normal course of its operations, the group is exposed to currency, interest rate and credit risk. In order to manage these risks the group may enter into transactions which make use of financial instruments. The group does not acquire, hold or issue derivative instruments for trading purposes.

24. FAIR VALUE AND CREDIT RISK OF FINANCIAL INSTRUMENTS (continued)

24.1 Concentration of risk

The group's financial instruments do not represent a concentration of credit risk because it deals with a variety of major banks, and its debtors and loans are regularly monitored. An adequate level of provision is maintained.

24.2 Foreign currency risk

In the past and in the normal course of business, the group has entered into transactions denominated in foreign currencies. The group currently does not hedge its exposure to foreign currency exchange rates. However, all sales during the current year have been, and future sales will be, denominated in SA Rands.

24.3 Interest rate risk

Fluctuating interest rates impact on the value of short-term cash investments and financing activities, giving rise to interest rate risk. In the ordinary course of business the group receives cash from its operations and is required to fund working capital and capital expenditure requirements. The cash is managed to ensure surplus funds are invested in a manner to achieve maximum returns while minimising risks.

24.4 Fair values

The fair values of all financial instruments are substantially identical to carrying values reflected in the balance sheet.

24.5 Segment reporting

The group has not reported by segment, as all activities are classed as being in the Information Technology Systems Sector, and therefore no segmental reporting is necessary

INTERCONNECTIVE SOLUTIONS LIMITED
(Registration number 1997/010640/06)
Share code: ILT ISIN: ZAE000017943

Notice is hereby given that the 8th Annual General Meeting of the members of Interconnective Solutions Limited will be held at 372b Oak Avenue, Randburg, 2194 on Friday, 10 November 2006 at 10h00 for the following purposes:

Ordinary business

1. *Ordinary resolution number 1:*

   To consider and adopt the Annual Financial Statements of the company and of the group for the year ended 30 June 2006, including the Directors' Report and the report of the Auditors thereon.

2. *Ordinary resolution number 2:*

   To elect the following directors by a single resolution; Ashvin Mancha, Robert Russell, Mark Smith and Gareth Tudor.

3. *Ordinary resolution number 3:*

   To re-elect the following directors, namely Ashvin Mancha, Robert Russell, Mark Smith and Gareth Tudor, who are retiring in terms of the Articles of Association of the company.

   Ashvin Mancha obtained a B.Proc from the University of Witwatersrand in 1981, and thereafter a Diploma in Financial Management and was admitted as an attorney in 1982, with his primary responsibilities and experience being in the banking sector. In 1985 he entered the family business which ran property and retail businesses which gave him direct exposure to the stockbroking community in South Africa. He then joined a stockbroker and became the first qualified black practising stockbroker during the apartheid era of South Africa and became a Director of the company in 1989. In June 2000 he started the BEE stockbroking firm of Afrifocus Securities, of which he is Chairman, and which has become the largest independent and non-aligned stockbroker in South Africa. He was appointed a Director of Interconnective Solutions Limited in 2002 and became Chairman in 2004.

   Robert Russell has vast experience in telephony services and was previously employed by Control Instruments (Pty) Limited. He has experience in voice recognition (biometric) services and has been involved in value added voice services network (premium rate service). Robert has also had experience in design implementation of calling party pays voice network for Super Call Cellular, implementation of international gateway access for Cable and Wireless value added voice services and the upgrading of functionality of virtual reality computer based training simulators for Altech Defence Systems (Pty) Limited. Robert joined the group in 1997 and became a Director of Interconnective Solutions Limited in 2003.

   Mark Smith graduated with BA LLB from the University of the Witwatersrand, and practised as an attorney before joining Shield Trading Corporation Limited ("Shield") as legal advisor. In 1987 Shield was listed on the JSE and Mark was involved in the listing of the company. In 1992 Massmart Holdings (Pty) Limited acquired Shield and Mark was appointed the Managing Director of Shield. Mark was subsequently appointed a Director of Massmart Holdings. In 1997 Mark was instrumental in setting up Interconnective Solutions Limited and was appointed to his current position of CEO.

   Gareth Tudor qualified as a Chartered Accountant (SA) in 1975 with a predecessor firm of Ernst and Young. In 1978 Gareth joined the LTA Limited group as a financial accountant. In 1983, Gareth became involved as an entrepreneur in a contracting business and thereafter in various businesses as Financial Director. In 1994, Gareth established and ran Telemessage (Pty) Limited. Telemessage was merged with FoneWorx, a subsidiary of Interconnective Solutions Limited, in 2003 at which point Gareth became the Group Financial Director of Interconnective Solutions Limited.

4. *Ordinary resolution number 4:*

   To re-appoint Messrs G Cambanis Inc as auditors of the company.

Special business

5. *To consider and, if deemed fit, to pass, with or without modification, the following further ordinary resolutions:*

   5.1. *Ordinary resolution number 5:*

   Resolved that all the authorised but unissued ordinary shares in the capital of Interconnective Solutions Limited ("the company") be placed under the control of the directors of the company with authority to issue and allot all or part thereof in their discretion, subject to the provisions of Sections 221 and 222 of the Companies Act 61 of 1973, as amended, and subject to the rules and requirements of the JSE Limited ("the JSE").

5.2. *Ordinary resolution number 6:*

Resolved that, subject to the passing of ordinary resolution number 5 and in terms of the requirements of the JSE, the directors are hereby authorised to issue ordinary shares for cash as and when suitable opportunities arise, subject to the following conditions:

- that this authority shall not extend beyond the next Annual General Meeting or 15 (fifteen) months from the date of this Annual General Meeting, whichever date is the earlier;
- issues in terms of this authority in any one financial year will not exceed 15% (fifteen percent) in the aggregate of the number of shares in the company's issued share capital in issue at the date of this notice of Annual General Meeting. The 15% shall also take into account (and will include, if applicable), any securities to be issued pursuant to a rights issue which has been announced which is irrevocable and fully underwritten, or securities issued in terms of an acquisition which has had final terms announced;
- a press announcement giving full details, including the impact on net asset value and on earnings per share, will be published at the time of any issue representing, on a cumulative basis within one financial year, 5% (five percent) or more of the number of shares in issue prior to such issue;
- in determining the price at which shares will be issued in terms of this authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price of such shares, as determined over the 30 day business period prior to the date that the price of the issue is determined or agreed by the directors of the company. If such shares have not been traded in the said 30 day business period, a ruling will be obtained from the JSE; and
- any such issue will only be made to public shareholders as defined in the Listings Requirements of the JSE, and not to related parties.

The approval of a 75% majority of the votes cast by shareholders present or represented by proxy at the meeting is required for this resolution to become active.

6. To transact any other business as may be transacted at an Annual General Meeting.

7. The JSE Listings Requirements require the following disclosures, which are disclosed elsewhere in the annual report of which this notice forms part, as set out below:

8. Any member entitled to attend and vote at a meeting of the company may appoint a proxy to attend, speak and vote in his stead. The proxy need not be a member of the company. A proxy form is included in the back of this Annual Report. Completed proxy forms must be returned to the transfer secretaries Computershare Investor Services 2004 (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001, (PO Box 61051, Marshalltown, 2107) by no later than 10.00 on Wednesday, 08 November 2006.

9. Certificated shareholders and "own name" dematerialised shareholders who are unable to attend the general meeting to be held at 10.00 on Friday, 10 November 2006, but wish to be represented thereat, should complete and return the attached form of proxy in accordance with the instructions therein and lodge it with the transfer secretaries so as to be received by no later than 10.00 on Wednesday, 08 November 2006.

10. Dematerialised shareholders without own name registration who wish to vote by way of proxy at the Annual General Meeting, must provide their CSDP or broker with their voting instructions by the cut-off time and date advised by the CSDP or broker for instructions of this nature, as specified in the custody agreement entered into between such shareholder and their CSDP or broker, in order for such CSDP or broker to vote in accordance with such instructions at the Annual General Meeting.

By order of the board

GH Tudor CA (SA)
Secretary

13 September 2006

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Printed by Ince (Pty) Ltd

INTERCONNECTIVE SOLUTIONS LIMITED
(Registration number 1997/010640/06)
Share code: ILT ISIN: ZAE000017943

FORM OF PROXY

For use by certificated and own name dematerialised shareholders at the Annual General Meeting of shareholders to be held at 10:00 on Friday, 10 November 2006 in the boardroom of Interconnective Solutions Limited, 372b Oak Avenue, Randburg, 2194

Note: Dematerialised shareholders without own name registration must not use this form. Dematerialised shareholders without own name registration who wish to vote by way of proxy at the Annual General Meeting, must provide their CSDP or broker with their voting instructions by the cut-off time and date advised by the CSDP or broker for instructions of this nature as specified in the custody agreement entered into between such shareholder and their CSDP or broker, in order for such CSDP or broker to vote in accordance with such instructions at the Annual General Meeting.

I/We ______________________________

Of (address) ______________________________

Being the holders of ______________ Interconnective Solutions Limited ordinary shares, hereby appoint

Or failing him/her ______________________________ of

Or failing him/her, the chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the company to be held on Friday, 10 November 2006 at 10:00 and at any adjournment thereof as follows:

In favour of	Against	Abstain	
Ordinary resolution number 1 To adopt the annual financial statements			
Ordinary resolution number 2 To elect the following directors by single resolution: Ashvin Mancha Robert Russell Mark Smith Gareth Tudor			
Ordinary resolution number 3 To re-elect the following retiring directors: Ashvin Mancha Robert Russell Mark Smith Gareth Tudor			
Ordinary resolution number 4 To re-appoint Messrs: G Cambanis Inc as auditors of the company			
Ordinary resolution number 5 To place the unissued shares under the control of the directors			
Ordinary resolution number 6 To grant the directors general authority to issue the unissued shares for cash			

(Indicate instruction to proxy by way of a cross in space provided above.)
Unless otherwise instructed, my/our proxy may vote as he/she thinks fit.

Signed this ______________ day of ______________ 2006

Signature ______________________________

NOTES TO THE FORM OF PROXY

1. A shareholder may insert the names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting "the chairman of the general meeting". The person whose name appears first on the form of proxy and whose name has not been deleted will be entitled to act as proxy to the exclusion of those whose names follow.

2. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate space provided. Failure to comply herewith will be deemed to authorise the proxy to vote at the general meeting as he/she deems fit in respect of the shareholder's votes exercisable thereat, but where the proxy is the chairman, failure to so comply will be deemed to authorise the chairman to vote in favour of the resolutions. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by the proxy.

3. Forms of proxy must be lodged at or posted to the transfer office of the company, Computershare Investor Services 2004 (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg 2001, (PO Box 61051, Marshalltown, 2107), to be received not later than 10:00 on Wednesday, 08 November 2006.

4. The completion and lodging of this form of proxy will not preclude the shareholder from attending the general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.

5. The form of proxy shall be valid for any adjournment of the general meeting as well as for the meeting to which it relates, unless the contrary is stated therein.

6. A vote cast or act done in accordance with the terms of a form of proxy shall be deemed to be valid notwithstanding:

   – the previous death, insanity, or any other legal disability of the person appointing the proxy; or
   – the revocation of the proxy; or
   – the transfer of a share in respect of which the proxy was given,

   unless notice as to any of the abovementioned matter shall have been received by the company at its registered office or by the chairman of the general meeting at the place of the general meeting if not held at the registered office, before the commencement or resumption (if adjourned) of the general meeting at which the vote was cast or the act was done or before the poll on which the vote was cast.

7. The authority of a person signing this form of proxy:

   7.1. under a power of attorney; or

   7.2. on behalf of a company,

   must be attached to the form of proxy unless the full power of attorney has already been received by the transfer secretaries.

8. Where shares are held jointly, all joint holders must sign.

9. The chairman of the annual general meeting may accept or reject any form of proxy which is completed and/or received other than in accordance with these notes and instructions provided that he is satisfied as to the manner in which the shareholder wishes to vote.

SHAREHOLDERS DIARY

Financial year end	30 June 2006
Annual report and financial statements	September 2006
Annual general meeting	10 November 2006
Half-year interim report	February 2007